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COMMITTEE ON INTERNATIONAL RELATIONS
SUB-COMMITTEES ON MIDDLE EAST AND CENTRAL ASIA
AND OVERSIGHT & INVESTIGATIONS**

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Madame Chair, Mr. Chairman, Members of the Committees, I would like to thank the committees for this opportunity to speak today about USAID's progress in helping the people of Afghanistan improve their economic circumstances, health and education and live in a thriving democracy. In today's testimony, I will describe the significant challenges of working in Afghanistan and highlight how USAID's programs have contributed, and will continue to contribute, to the achievement of U.S. foreign policy goals in the country and to the improvement of the lives of the people of Afghanistan.

There are three stages in the transition strategy for Afghanistan. The first stage was from 2002-2005, the current stage is focusing on stabilization and building systems. USAID assumes that the final stage – the normal development process will start from 2008. But, first let me set the stage.

AFGHANISTAN IN JANUARY 2002

I had the honor of being the first USAID official on the ground in Afghanistan after the fall of the Taliban, in January 2002. I have personally witnessed how the U.S. Government reconstruction program has been instrumental in helping the people of Afghanistan move towards creating a stable and productive state.

According to our Military, after the first week of the war against the Taliban, there were few targets left to bomb. Afghanistan had virtually been decimated after 23 years of warfare. Driving through the streets of Kabul, I saw that huge sections of the city were nothing more than rubble, and I rarely saw women walking in the streets. Much of Afghanistan's population

lived in refugee camps in Pakistan, Iran, and a lucky few, mostly the better educated and professionals, had made homes in the West.

I am happy to report that things have measurably improved in the last four years. Today, in Kabul and other major cities throughout the country, the economy is growing quickly: cell phones are everywhere, there are free radio and television stations, and more and more women are making their own choices about their lives.

However, because Afghanistan was so devastated by decades of war, despite the considerable progress to date, much remains to be done. Afghanistan has the highest maternal mortality in the world – one woman dies in child birth for every 1,700 babies born. One in four of those babies will not survive to celebrate her fifth birthday. Afghanistan is working to meet many of the Millennium Development Goals by the 2015 deadline. The human indices are among the worst in the world, some of which are listed below:

- Ranks 173 of 178 countries on the 2004 UNDP Human Development Index.¹
- Average income is \$300 per person, and this includes income from poppy production.
- 71% of Afghans over 15 cannot read or write (91% of all rural women are illiterate).
- Three out of five girls do not go to school.
- Life expectancy is 45 years.
- Most of the existing infrastructure has been destroyed, and in some remote areas, it was never developed.

Historically, the vast majority of Afghans have not had access to electricity or safe water. In some remote mountainous villages, the nearest paved road is a two-week walk away. And when USAID first arrived in Kabul, much of the population had been severely traumatized after years of war. Most Afghans did not remember a time when conflict was not a major part of their lives.

¹ Afghanistan National Development Report 2004, *Security with a Human Face; Challenges and Responsibilities* and the Global Human Development Report, 2005 (www.undp.org)

U.S. ASSISTANCE PROGRAM IN AFGHANISTAN

USAID's program is fundamental to achieving the U.S. Government's objective to assist Afghanistan in becoming a stable, productive state. We are working in several key sectors: sustainable economic growth, agriculture and rural development, infrastructure rehabilitation, health, education democratization and the rule of law.

USAID's initial strategy in Afghanistan focused on getting people back to some sense of normalcy by providing emergency relief and basic services. We needed to get food on tables and jobs for people. We needed to tackle the collapsed social service sector. Since agriculture is the mainstay of about 70 percent of the population, we put much emphasis on the development of rural livelihoods. Children – especially girls – had not been to public schools in at least six years, so it was vital to get the education system back up and running and to provide the means for those who had missed schooling altogether to catch up. As mentioned before, Afghanistan has unconscionable health indicators, and we had to work to set things right, especially when women and children were dying at such alarming rates. In response to these incredible needs, we focused our funds on agriculture, education and health.

In December 2001, in Bonn, Germany, Hamid Karzai had just been named the head of the Afghan Transitional Authority. The country had to be put on a path of democratic stabilization, and USAID supported this process by funding and helping with the logistics for the Emergency Loya Jirga held the following June and then to implement the rest of the Bonn accords. These actions were augmented by a series of “transition initiatives”, designed to show the people of Afghanistan that there were concrete dividends that would come from a new government. These included rebuilding destroyed schools, market centers and other small-scale, quick impact projects, and the development of an independent media, including radio and television stations.

After the fall of the Taliban, Afghanistan had five different currencies in circulation. As a first step in creating the environment for the development of an economy, USAID helped unify these currencies into one, country-wide new unit, and launched a program to help the Ministry of Finance and the Central Bank with monetary and fiscal policy.

In addition to the lack of a viable currency, the total lack of physical infrastructure presented a serious impediment to economic growth. A country cannot develop without a functioning transportation network and electricity. Subsequently, both President Bush and President Karzai decided that Afghanistan needed a major road project. Therefore, USAID began an ambitious plan to rebuild the highway connecting Kabul with Kandahar and Herat as well as nine provincial roads. When finished, 14 provincial capitals will be connected to a critical trade route. Because only seven percent of Afghans have access to electricity, USAID began to rehabilitate the Kajaki Dam, the premier source of hydroelectricity for southern Afghanistan, so that region could have access to a good, consistent supply of electricity.

The future for Afghanistan does not look encouraging unless Afghans can develop relevant skills to generate economic growth and find employment. Most Afghans, particularly the younger generations, have been denied this opportunity. Therefore, one of the fundamental tenets of USAID's program is, wherever possible, to train and transfer skills to Afghans. This will allow Afghans to participate in their country's development and will lead to greater sustainability.

USAID has made a substantial effort to engage Afghan contractors in the implementation of its projects. While this helps to develop capacity, the process is slow, and some Afghan institutions and implementers still lack the know-how and the capability to perform at acceptable standards. USAID currently employs 193,978 on just the alternative livelihoods projects. Overall, 16 percent (\$450M) of USAID current awards are going to Afghan contractors. In any given reporting period, roughly 75 percent of the employees working on the Kandahar-Herat Highway are Afghans.

Having Afghan construction workers alongside the expatriate crews is critical to ensuring the future maintenance of new infrastructure and enhancing valuable skills for future reconstruction. However, there is also another, equally important, benefit to employing Afghans in the reconstruction of the so called "Ring Road." As proven in one section of the Kandahar to Herat Highway, having Afghans rebuild the road helps to prevent insurgency in the area. Insurgents have consistently targeted road reconstruction teams because their movements and work patterns are predictable. In an effort to curb these attacks on the Kandahar to Herat Highway, a local subcontractor was hired to better involve the surrounding population. The subcontractor, whose workforce consisted entirely of

previously unemployed former insurgents, was hired to perform much of the earthworks on one section of the highway. Not only has there been no major local political opposition to the project, the contractor is now performing at 15 percent better than expected rate of delivery. The workers have graduated from earthworks and excavation to working on bridges, paving, and drainage and are now being trained on project management and quality management programs.

As I mentioned before, USAID is currently in the second stage of its long-term strategy and will be implementing this second stage of its reconstruction assistance program from 2006 to 2008. I would now like to discuss our priorities.

PRIORITY AREAS FOR RECONSTRUCTION AND USAID'S LONG-TERM STRATEGY

USAID recently completed a long-term strategy which identifies four key areas for continued assistance: the improved environment for development; a thriving licit economy led by the private sector; democratic governance with broad citizen participation, and a better educated and healthier population.

- **The Improved Environment for Development:** We intend to establish a platform for sustainable economic growth for the Afghan people. This strategy builds on our current programs, yet explicitly empowers the private sector as a key player and driver of Afghanistan's future. USAID will set the stage for sustainable economic growth by bolstering the justice system and providing means for conflict resolution, legitimizing local governance structures, and providing employment opportunities in the short- and long-term.
- **A Thriving Licit Economy Led by The Private Sector:** USAID will expand the licit economy through continued investment in physical infrastructure – roads and power – essential to the development of even the most basic industries. Growth in the agricultural sector, which provides a livelihood for the majority of Afghans, combined with other employment opportunities, has to happen to give impoverished farmers a valid income generating alternative to poppy cultivation.

In December 2004, USAID launched its Alternative Livelihoods Program (ALP) to provide these alternatives. The program is a key element in the

joint counter-narcotics strategy of both the U.S. Government and the Government of Afghanistan and is designed to accelerate economic growth in Afghanistan's principal poppy-producing provinces. The program principally targets core poppy-producing areas in southern (Helmand and Kandahar Provinces), eastern (Nangarhar and Laghman Provinces) and northern (Badakhshan and Takhar Provinces) Afghanistan but includes activities in other provinces where poppy cultivation is expanding or where there has been a concerted effort to eliminate narcotics production. ALP is a decentralized activity that relies on cooperation with government entities across the country and in many remote areas. Therefore, a key cross-cutting objective of ALP is to train local government officials in planning regional economic development, facilitating the growth of local businesses and effectively administering the public good.

- **Democratic System with Broad Citizen Participation:** This guarantees the rule of law through the electoral process will promote good governance and make it easier to prosecute offenders ultimately restoring the country to the tranquility it enjoyed in the 1960s.
- **A Better Educated and Healthier Population:** This will be achieved through continued investments in social services to create an educated and healthy workforce, which will be able to participate fully in the country's economy and democratic government. Through sustained efforts in education, we will make vital, heavy investments in the health of mothers and children – the future work force of Afghanistan.

SUCCESSSES, FAILURES AND CHALLENGES OF USAID'S RECONSTRUCTION PROGRAM

USAID has had measurable success in Afghanistan in responding to the country's needs. USAID provided textbooks to school children in time for the start of the first school year after the fall of the Taliban; built the road linking Kabul to Kandahar in record time; assisted with the currency conversion; and supported the implementation of the Bonn Process, including the Emergency Loya Jirga, the Constitutional Loya Jirga, presidential and parliamentary elections and the seating of parliament. I am pleased to announce that yesterday, on International Women's Day, 30 additional midwives graduated from USAID-funded training, joining 337 alumnae of the program.

To date, USAID has built 477 schools accommodating nearly 300,000 students and 454 clinics serving 340,000 patients per month. By the end of 2006, USAID anticipates completing more than 600 schools and 600 clinics. This is a phenomenal number, averaging 19 schools and clinics per month since construction first started in April 2002. These buildings, constructed to high quality standards, are designed to withstand harsh environmental conditions, repair easily with local materials and expertise, and maintain cultural appropriateness. They are also earthquake-resistant, something which we take seriously since Afghanistan is in an earthquake zone. Initial reports showed that 18,000 schoolchildren died or were seriously injured in the October 2005 Pakistan earthquake because their schools collapsed onto them.

Our presence on the provincial reconstruction teams (PRTs) has allowed us to build closer relations with local officials and community leaders to better understand local needs and development goals. Since the Coalition and the International Security Assistance Force (ISAF) militaries staffing a PRT are able to offer the necessary protection for our staff, PRTs have been a useful platform for USAID to monitor our programs throughout the country and ensure that aid is being delivered to the right people.

In addition to developing local connections and monitoring USAID's national programs, on each PRT, USAID has contributed to the province's local needs and development goals through the Quick Impact Program (QIP). QIP is the USAID funding mechanism that allows our field program officers on the PRTs to undertake specific development projects in their provinces. The field officers select appropriate projects and activities in consultation with the military on the PRTs, while ensuring local leadership. The primary purposes of QIP projects are to extend the reach and influence of government throughout the provinces and to create a climate of improved freedom and economic activity. Projects implemented through QIP include tertiary roads, bridges, water supply, irrigation, government administrative buildings, schools, clinics, micro-power generation and training courses for women.

PRTs are a vital part of Afghanistan's reconstruction, and as the majority of them shift from Coalition to ISAF control, it is important that USAID continues to work with each of the current ISAF member states (Germany, United Kingdom, Norway, Italy, Lithuania, Netherlands, Spain, and – as of next week – Sweden) that lead NATO PRTs, as well as the nations that are

expected to contribute by fall 2006, when ISAF is scheduled to assume responsibility for security in the south.

In addition, USAID coordinates closely with the Department of Defense, the Department of Agriculture, and the Department of State to ensure that activities in development, diplomacy and defense complement and strengthen U.S. foreign policy goals, with the ultimate goal of extending the reach and legitimacy of the emerging government of Afghanistan. This inter-agency approach has been one of the most successful aspects of the PRTs.

A consistent challenge to working in Afghanistan is managing the expectations of the Afghan people, the government and the media. Because of decades of insecurity, destruction, and corruption, the state was incapable of the most basic functions by the time the Taliban fell. The country has been trampled by foreign invasions and fragmented by international as well as internal politics. The result was massive poverty, a state devoid of institutions to govern and serve the people, and the dominance of a drug economy that hindered revenue and state building as well as legitimate economic growth.

An important fact to remember is that development takes time. Comparing statistics from similar countries shows us that:

- It took Bangladesh 17 years to increase adult literacy by 9%, from 32% in 1985 to 41% in 2002.
- It took India 44 years to decrease the infant mortality rate from 242 deaths per 1,000 births down to 85 (a 65% decrease).
- It took Morocco 43 years to increase its GDP from \$2B to \$44B.

USAID has only been engaged in Afghanistan for just four years, and change takes time, despite the expectation of many that reconstruction and development should happen at lightning speed.

One of the issues discussed at the recent London Conference was the perception that donor programs, such as USAID's, are expensive and that these funds would be better used by giving them directly to the Afghan government. Based on our assessments and observation of the Government of Afghanistan, we believe that at the present time, and given current systems in place at the Afghan ministries, funds passed through ministries for development would sometimes not reach the target populations, delivery

would be slow and it would be very challenging to account for these funds in a way that would satisfy U.S. taxpayers. We are committed to working with the Government to make sure that its employees develop the management and financial skills needed to implement development activities and to account for the resources used, be they domestic or from international donors. However we recognize that this will be a long process, and we will not pass funds directly through the government until such capacity is improved.

We cannot talk about progress in Afghanistan without acknowledging that a major obstacle to getting our work completed on schedule is the security situation. Our staff faces real dangers every day, such as rocket attacks, banditry and kidnappings. We take necessary precautions to ensure their safety. Increasingly, our contractors are being targeted, and a number of them have been killed, making it more difficult for USAID to recruit appropriately qualified staff. The ancillary costs to provide security have also risen substantially.

We continue to implement our projects despite security threats by extremists who attempt to disrupt services and destabilize the country. Building schools and roads or educating girls is a challenge in an insecure environment. For example, USAID has built 477 schools and another 251 are currently under construction, but construction crews at 53 of our schools experienced violence. In January, a headmaster was shot in Helmand; 200 schools in Kandahar and 165 in Helmand closed for security reasons, and a high school teacher was beheaded in Zabul in January. Extremists have burned girls' schools and have injured or killed personnel with roadside improvised explosive devices.

February was a particularly deadly month – over a 14-day period, 24 violent incidents and 37 deaths were reported in the open media. Since 2002, 114 USAID-funded workers were killed, 130 seriously injured or disabled, and another 33 staff were killed in accidents.

I want to take this opportunity to recognize and thank our American and international staff on USAID projects who have given up the comfort and safety of their homes to help rebuild Afghanistan, and also acknowledge the major contributions of the Afghan staff working alongside us. Without them, we would have no success story.

BUDGET REQUESTS FOR AFGHANISTAN RECONSTRUCTION

I would now like to provide the Committee with an introduction to the power sector request in the Administration's fiscal year 2006 supplemental submission for Afghanistan, as well as a brief overview of the USAID-implemented components of the fiscal year 2007 President's Budget request for Afghanistan. First, in addition to urgent requirements for debt relief, assistance for returning refugees and Embassy and USAID mission security costs and operations, the request for fiscal year 2006 supplemental funds reflects the importance of the power sector to U.S. efforts to rebuild and stabilize Afghanistan. Currently, as I said earlier, only 7 percent of Afghanistan's population has access to electricity, and even existing electricity supplies are unreliable. Moreover, the United States is devoting millions of dollars every year - \$55 million in fiscal year 2005 alone - to supply diesel fuel for thermal power plants in Afghanistan's major cities, a very inefficient way to provide power and one that is only viable in the short-term.

In order to increase the supply and reliability of electricity for the Afghan people and reduce U.S. diesel fuel expenditures, we have requested \$32 million in fiscal year 2006 supplemental funding to improve Afghanistan's power sector through two important activities. The first is a broad-based technical assistance program to restructure Afghanistan's power sector, facilitate power purchase agreements with the Central Asian Republics, and complete the engineering and design of a major power transmission line between Turkmenistan and northern Afghanistan. Supplemental funds are also being requested to provide technical assistance and training for the installation of an important diesel fuel generator in Kabul that will replace a power generation unit that failed in early February. In addition to the above \$32 million, we have requested \$16 million to pay for critical security costs for the USAID Mission. This request for additional operating expenses is being made in response to an unpredictable security environment and the need to ensure uninterrupted security for USAID personnel operating in Afghanistan.

USAID's fiscal year 2007 request is consistent with the priorities and the strategy I articulated earlier and was developed in close consultation with the Department of State and the Government of Afghanistan. The total Development Assistance, Child Survival and Health, and Economic Support

Funds request of \$802.8 million demonstrates the continued U.S. commitment to rebuild Afghanistan's economy through infrastructure rehabilitation, agricultural assistance and private sector support. USAID will also provide alternative livelihoods activities as part of a broader, multilateral program to combat narcotics production. Furthermore, we will continue to provide basic health services and train Afghan health workers; expand educational opportunities, literacy, and basic skills through education programs; build the foundations for a democratic society, notably through the training of new parliamentarians; and support local stabilization and reconstruction efforts through Provincial Reconstruction Teams. Throughout our entire portfolio, we will focus on building the capacity of Afghans within both the public and private sectors and continue to provide significant assistance to Afghan women and girls. Both the level and allocation of the fiscal year 2007 request are consistent with U.S. Government goals and strategies in Afghanistan, and are aligned with the Afghanistan Compact recently announced in London.